COAL of AFRICA LIMITED

MANAGEMENT BUY OUT OF NIMAG GROUP

ASX ANNOUNCEMENT **23 DECEMBER 2011**

Coal of Africa Limited ("CoAL" or "the Company") advises that the Company has today entered into a binding Sale of Shares Agreement ("SSA") to effect the sale of the NiMag Group of companies, consisting of Nimag (Pty) Ltd ("NiMag") and Metalloy Resources Investments (Pty) Ltd (together "the NiMag Group"), by way of a management buyout ("MBO").

As previously advised in the Company's Registration Document published on 31 October 2011, the NiMag Group asset is considered to be non-core and has been classified as an asset held for sale.

Pursuant to the SSA, the Executive Management of the NiMag Group will purchase a 100% interest in the NiMag Group by way of an MBO for a total purchase consideration of ZAR54 million (approximately US$6.6m at current exchange rates), of which 60% (ZAR32.4m) is being funded by a combination of equity contributions and bank debt with the remaining 40% (ZAR21.6 million) being financed by way of an interest bearing vendor financing loan provided by CoAL, repayable over four years.

The SSA contains undertakings which apply while the vendor financing loan is outstanding, including the right for CoAL to appoint a director to NiMag, no payment of dividends and no disposals by the NiMag Group companies without CoAL's prior approval. The transaction is not subject to adjudication by the South African Competition Commission Tribunal as it constitutes a small merger. Closing of the transaction is subject to certain typical conditions precedent which are expected to have been satisfied and the completion of the sale by 28 February 2012 or such extended period as the parties may agree in writing, as well as the receipt of exchange control approval from the South African Reserve Bank for the vendor financing.

Commenting on the transaction, John Wallington, Chief Executive Officer of CoAL said:
"We are very pleased to conclude a transaction with members of the NiMag management team. This is a specialist business that under the current management team will continue to grow and develop over time."

"Our focus at CoAL is on the development of our coking coal and thermal coal businesses. Fast tracking Vele into production and concluding the feasibility study for Makhado are priorities for us. Our management and financial resources are focussed on that."

AU: Level 1 Old Swan Brewery 173 Mounts Bay Road Perth WA 6000 Australia Telephone: +61 8 9322 6776 Facsimile: +61 8 9322 6778 Email: perth@coalofafrica.com ACN 008 905 388
ZA: 2nd Floor, Gabba Building, The Campus, 57 Sloane Street, Bryanston, Johannesburg, South Africa 2021 Tel: +27 11 575 4363 Fax: +27 11 576 4363, +27 11 576 7422, +27 11 576 6858 Email: adminza@coalofafrica.co.za

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For more information contact:

John Wallington	Chief Executive Officer	Coal of Africa	+27 11 575 4363
Wayne Koonin	Financial Director	Coal of Africa	+27 11 575 4363
Shannon Coates	Company Secretary	Coal of Africa	+61 8 93226 776
Sakhile Ndlovu	IR & PR Manager	Coal of Africa	+27 11 575 6858
			+27 83 306 7058
Jos Simson/Emily Fenton	Financial PR	Tavistock	+44 207 920 3150
Charmane Russell	Financial PR S.Africa	Russell & Associates	+27 11 880 3924
			+27 82 372 5816
James Duncan			+27 82 892 8052
Chris Sim/ Neil Elliot	Nominated Adviser	Evolution Securities	+44 20 7071 4300
Melanie de Nysschen/Annerie Britz/ Yvette Labuschagne	JSE Sponsor	Macquarie	+27 11 583 2000

www.coalofafrica.com

About CoAL:
CoAL is an AIM/ASX/JSE listed coal exploration, development and mining company operating in South Africa. CoAL's key projects include the Vele Colliery (coking and thermal coal), the Makhado Project (coking coal) and the Mooiplaats and Woestalleen Collieries (both thermal coal).

The Mooiplaats Colliery commenced production in 2008 and is currently ramping up to produce 2 Mtpa. The Woestalleen Colliery, acquired through the acquisition of NuCoal Mining (Pty) Limited in January 2010, currently processes approximately 2.5Mtpa of saleable coal for domestic and export markets. The Woestalleen Complex also incorporates three beneficiation plants with a total processing capacity of 350,000 run of mine feed tonnes per month.

CoAL's Vele Colliery is expected to start production in the first half of 2012. During the initial phase, the operation is targeting 2.7 Mtpa ROM production to produce 1.0Mtpa saleable coking coal. The Makhado Project, CoAL's flagship project in the Soutpansberg coalfield, is well into the feasibility stage, with a Definitive Feasibility Study nearing completion. An application for a New Order Mining Right for the Makhado Project was submitted in January 2011.

In November 2010, CoAL agreed to acquire the Chapudi coal project and several other coal exploration properties in the Soutpansberg coal basin in South Africa from the previous owners, including Rio Tinto. Upon completion, the acquisition of these projects will significantly extend the scale and scope of certain of CoAL's existing projects in the region and will more than double the resource of the existing Makhado Project.